

What does the **Finance Director** actually do?

The Finance Director has a complex role: to ensure the **strategic intent** of the organisation can be realised, to ensure **current income and expenditure is sustainable** and to **optimise shareholder value** which includes current finances, investments and the historic data used to calculate taxation etc.

The strategic role

Much of the company's numeric ability sits within finance and can provide a dispassionate analysis of future trend for comparison with today's performance. The Finance Director needs the ability to envision the future, because the progressive company will take decisions where there is no precedent or rules to guide – especially where the strategic focus is changing from *innovative* to *asset-driven* and there needs to be major capital expenditure.

In the energetic and progressive company the IT function will answer to the Finance Director who provides strategic support to the CEO and where IT is used as a means to develop intelligence, perhaps with the NEDs

Current income and expenditure

'You can do what you like with P&L, but get cash flow wrong once and you're finished'. All the various strands of income and expenditure come together with the Finance Director; as does making provision for the future. The various strands include prices, costs and margins for all aspects of the organisation; provision for the future includes financing the capital needed to expand and budgetary support to the various divisions in the organisation.

Optimise shareholder value

Technically, value is added at the point of sale i.e. the goods or services have to have left the organisation before their impact can be realised. Shareholder value comes from an element of the profit generated from the added value in the goods and services, and also through debt management, minimised taxation, treasury and managing investments.

Additionally, some of the profits should be quietly 'salted away' to provide a buffer in case of poor economic conditions to provide reserves that can be called upon to remain properly viable and competitive for the upturn.

Note: - Defining the company type

If the Finance Director answers primarily to the Chairman, the company is more concerned with past events and reporting; if the Finance Director answers primarily to the CEO the company is concerned with breaking new ground and if reporting to the MD the emphasis is on results and growing what is already successful.